

U.S. TREASURY DEPARTMENT  
Internal Revenue Service  
Washington 25, D. C.

Alcohol and Tobacco Tax Division  
Industry Circular No. 56-16

May 7, 1956

Consolidation of Packages

Proprietors of internal revenue bonded  
warehouses; and others concerned:

1. The purpose of this circular is to advise you of amendments to warehousing regulations (26 CFR Part 225) which provide for the consolidation of packages of distilled spirits. The amendments are contained in Treasury Decision 6173, published in the Federal Register for May 5, 1956.

2. Under the amended regulations a warehouseman may consolidate packages of spirits which were distilled at 190 degrees of proof or more (whether or not such proof was subsequently reduced) from the same class of materials, by the same distiller, at the same distillery, and were stored in the same kind of cooperage under approximately the same conditions.

3. Briefly, the procedure is as follows:

(a) When a warehouseman desires to consolidate spirits he will submit to the storekeeper-gauger in charge an application fully identifying the spirits. If the spirits are eligible and the necessary equipment is available in the warehouse, the storekeeper-gauger will approve the application, examine the packages, and supervise the dumping of the spirits into a consolidation tank.

(b) When all of the packages have been dumped into the tank, the warehouseman will reduce the spirits to a whole degree of proof and the storekeeper-gauger will gauge the spirits in the tank and prepare a gauge report.

(c) Unless the spirits are later to be withdrawn on the filling gauge, the warehouseman will gauge the spirits drawn from the consolidation tank into packages and prepare the report of gauge.

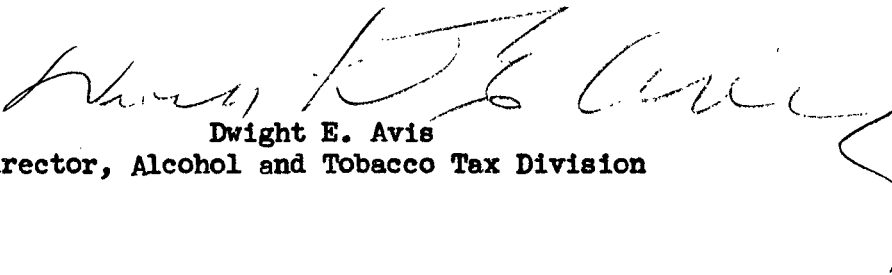
4. After publication of the notice of proposed rule making one major change was made. As originally published, the regulations would have required the destruction of any rinse water not used in reducing the spirits in the consolidation tank. This has been modified to provide that,

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if he so desires, the warehouseman may run any rinse water not needed to reduce the spirits into closed, locked tanks for transfer by pipeline to a distillery on the same or contiguous premises, for redistillation. Prior to such transfer the warehouseman will gauge the rinse water (by weight or by volume), and prepare a report of gauge on Form 1520. This procedure was also extended to other circumstances where packages are rinsed preparatory to removal from the warehouse. It is contemplated that rinse water collected in tanks for redistillation will not be held in the warehouse any longer than is necessary. Accordingly, the proposed regulations do not require that the quantity of spirits found in the rinse water be entered in the warehouse records. Upon receipt of the rinse water at the distillery it will be subject to existing requirements of distillery regulations for the receipt, recording, and redistillation of distilled spirits.

5. The amendments made by Treasury Decision 6173 will become effective June 5, 1956.

6. It is thought most inquiries with respect to this new procedure can be processed by your assistant regional commissioner and should, accordingly, be addressed to him and refer to the number of this circular. Correspondence with this office should similarly refer to the number of this circular and, in addition, be marked: Attention: O:AT:PP.

  
Dwight E. Avis  
Director, Alcohol and Tobacco Tax Division

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